



August 27, 2007

A & A Global Industries

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Congress of the United States
U.S. House Of Representatives
Committee on Energy and Commerce
2125 Rayburn House Office Building
Washington, DC 20515

The Honorable Bobby L. Rush
The Honorable Cliff Stearns

Gentlemen,

I am in receipt of your letter of August 22, 2007 regarding lead in children's products. As individuals and as a company we are also concerned. We spend a good amount of our time and effort trying to comply with all laws, rules and regulations and hope that a solution to the lead issue can be found that benefits consumers as well as importers.

In order to understand the answers to some of your questions, you should have a brief understanding of our industry. A&A Global Industries, Inc. is a wholesale distributor of products that are sold in Bulk Vending machines. These machines are commonly called "gumball machines". Our customers, commonly known as operators, own their vending machines and put them in retail locations. They purchase from us, and others like us, and then fill and maintain their own machines. The selling price of these toys generally ranges from \$0.25 to \$0.50 each and are impulse purchases. The toy is generally kept for a day or two and is then discarded. There is a distinct difference in the type, price and method of sale between our products and other importers such as Mattel.

Following is our response to the questions that you have asked:

1. To the best of our knowledge there are no other products imported by our company that contain lead that exceeds lawful standards. When we had the recall in July 2004 we recalled significant numbers of toy jewelry that did not contain more than the amount of lead lawfully allowed. The reason was to avoid confusion on the part of consumers since so many items looked alike.
2. Our lab's test in each of the recalls showed less than the allowed 600 parts per million. The test that the CPSC performed had higher levels of lead than allowed. In regard to the products in the July 2004 recall the lead was in the substrate, not in the surface coating. The CPSC started looking at the surface coating because they were concerned about lead leaching thru. Until then our lab did not test the surface coating.

3.

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4. We do not have contracts per se with our suppliers. We issue Purchase Orders and one of the terms provides that all products must comply with "...all applicable U.S. laws and regulatory requirements including the most current version of ASTM F 963, US Consumer Product Safety Commission. FDA, and EPA rules and regulations. No item can violate any U.S. or Foreign patents, trademarks, or copyrights..." Our MANDATORY TOY TESTING PROTOCOL also includes a provision that all toys comply with the same laws and requirements.
5. All products are tested on numerous occasions during the manufacturing process by an independent laboratory selected by us. Factories are required to send samples to the labs for testing. In addition the lab takes random samples before the products are shipped and then tests them again for conformance to standards..
6. During our meetings with the CPSC prior to the July 2004 recall we learned that there was confusion on the part of most of the laboratories on what test should be done to the products. There were not clear guidelines prior to that recall. After the CPSC issued guidelines on what test should be performed we changed independent labs and instructed them to follow those new guidelines. We also made a decision that even though the allowable limits were 600 ppm, we would not accept anything over 400 ppm. In addition, we issued our MANDATORY TOY TESTING PROTOCOL. This protocol tightened up the procedures that we had been following. In the case of the Groovy Grabber recall we immediately met with our independent lab to determine how and why there was more lead than allowed. We believe that the factory substituted an inferior product in one shipment which caused the recall problem. The lead was only accessible if the product was misused. If the outer covering was torn off then the metal on the inside was exposed. That would have been total misuse of the product. After meeting with our lab we again made provisions to eliminate other loopholes in the system.
7. We first discovered the lead problem in the April 2007 recall after the CPSC contacted us.

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8. When we initiated the July 2004 recall there was of course the CPSC press release and all of the attendant publicity that took place. There were probably not too many people that did not know about the recall. The recall notice was placed on our website. We also sent letters to every one of our customers that purchased the toy jewelry from us and asked them to confirm that they had received the notice and understood it. They were instructed to return whatever they had in stock to us. Essentially the same procedure took place in the 2007 recall. All of the communication was in English.
9. There were calls and/or emails from consumers after each recall. We responded to each of them.

In order to help correct the importation of unsafe products into the United States CPSC should get proper funding to do its job. Part of the problem is that the CPSC is a reactive agency when it should be a proactive agency. They should be educating importers and have programs in place for importers to learn more about the issues and how to prevent unsafe products from being manufactured. They should be working with Customs both here and in China to ensure that unsafe products never leave and don't get into the United States. I am sure that if you spoke to the staff at the CPSC they would give you additional insight into the issue.

I hope that this information has helped in your efforts. If you have any questions or if I can be of further assistance please let me know.

Sincerely yours,



Eugene M. Lipman
Vice President Finance

EML/bjd

cc: The Honorable John D. Dingell, Chairman
Committee on Energy and Commerce

The Honorable Joe Barton, Ranking Member
Committee on Energy and Commerce

Brian S. Kovens, EVP A&A Global Industries, Inc.